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CONGRESS ASSAILS DEMOCRACY GROUP

Cuts Endowment's Funds and Restricts Ways in Which Money Can Be Spent

By WALTER GOODMAN

The National Endowment for Democracy, a federally financed private corporation created last December to encourage democracy around the world, has run into trouble with the workings of democracy at home.

In May the endowment's appropriation for the fiscal year 1985 was turned down by a bipartisan House vote of 226 to 173. Later the Senate voted less money than had been requested and added a prohibition against giving any of the money to the Democratic or Republican parties, as originally intended by the endowment.

A House-Senate conference committee agreed this month to cut the appropriation from the requested \$31.3 million to \$18.5 million and to retain the Senate's prohibition. The House accepted the conference report last Wednesday, and the Senate approved it the next day.

In a recent interview, Carl Gershman, the endowment's president, defended its plan to use combined Federal funds and private groups to let the United States "engage in the competition in the world of ideas," and added, "The word 'democracy' has been appropriated by its enemies."

But he is under fire for the way he sees his mission. The last endowment board meeting was given over mainly to bipartisan criticism of a Gershman draft planning paper. Charles H. Smith Jr., a former president of the United States Chamber of Commerce, deplored its "ideological bent," and Albert Shanker, head of the American Federation of Teachers, said it suffered from "too much emphasis on intervention."

Two Precedents Cited

The plan was for most of the endowment's money to be distributed by arms of the Democratic and Republican national committees, the Chamber of Commerce and the American Federation of Labor and Congress of Industrial Organizations. "While only Washington can provide adequate funding," Mr. Gershman said, "the nongovernmental nature of the endowment allows for more flexibility."

Mr. Gershman cited two precedents for giving government funds to private groups for operations abroad. One is the post-World War II support of anti-Communist political parties and publications in other countries by the Congress for Cultural Freedom, which was discredited by the disclosure that the money was coming from the Central Intelligence Agency.

The lesson that Mr. Gershman draws from that episode is not that such efforts are misguided but that "they should be overt, not covert." To avoid any suspicions of covert connections, C.I.A. personnel are barred from endowment programs.

The other precedent is the aid given by some West European political parties to kindred parties in other countries. Mr. Gershman, a former executive director of Social Democrats, U.S.A., which, despite its title, is ideologically somewhere to the right of the Democratic Party, says the assistance given by West German Socialists to Portuguese Socialists in 1975 helped save Portugal's shaky democracy.

Political Role Criticized

But the role assigned to American political parties in the work of the endowment drew the heaviest fire from critics.

Representative Hank Brown, a Colorado Republican who led the attack on the endowment in the House, said he also had reservations about using the Chamber of Commerce and the A.F.L.-C.I.O. as conduits.

The labor federation has been the chief beneficiary of the endowment so far. A complaint by James E. Briggs, the United States Ambassador to Panama, about its use of \$20,000 of endowment money to support a Presidential candidate in Panama was a major factor in the House's rejection of endowment financing.

Mr. Gershman said the endowment board had since added an explicit prohibition against interference in any foreign elections.

Bipartisan Support in Congress

But Mr. Brown still objects to spending money through such "major power groups" as the unions and business, calling the arrangement "a foolproof formula for getting into the Treasury."

He noted that Representative Dante B. Fascell, Democrat of Florida, and Senator Orrin G. Hatch, Republican of Utah, were on the endowment's board and were its chief supporters in Congress. Both joined at the board meeting in lamenting the cutoff of funds to the political parties.

Mr. Brown also expressed concern that the endowment, as a private entity, was not subject to the Freedom of Information Act. Mr. Gershman said detailed public audits would leave the endowment with few secrets.

Mr. Gershman is somewhat apologetic about the first projects approved by the board, saying, "We had to show something." These projects include food and cash for Polish political dissidents; a Chinese language quarterly for Chinese students in the United States, Western Europe and Japan; a "feasibility study" by the Andrei Sakharov Institute on establishing a Center for Human Rights and Peace, and a planning conference "to build a new association of democracies to further solidarity among democratic nations."

Acknowledging that his critics had scored some points, Mr. Gershman suggested that the endowment might spend some of its money on research into the effectiveness of past efforts to promote democracy abroad.

"We're just starting," he said. "It's an uncharted course."